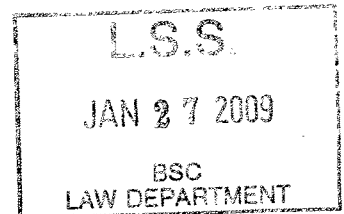


Department of Managed Health Care
980 Ninth Street, Suite 500
Sacramento, CA 95814-2725
(916) 323-0435 -Phone
(916) 323-0438 -Fax
enforcement@dmhc.ca.gov

January 26, 2009

DELIVERED VIA U.S. MAIL



Lyle Swallow
Assoc. General Counsel
California Physicians' Service
P.O. Box 7168
San Francisco, CA 94120

**RE: Complaint No. 391479
Enforcement Matter Number 08-384**

LETTER OF AGREEMENT

RECEIVED
DEPT OF
MANAGED HEALTH CARE
ACCOUNTING OFFICE
JAN 27 2009 3 PM 1:58

Dear Mr. Swallow:

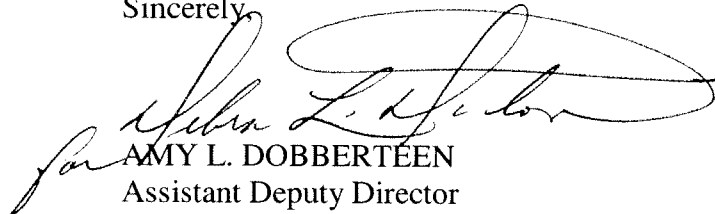
The Office of Enforcement for the Department of Managed Health Care (the Department) has completed its investigation of a violation of Health and Safety Code section 1368.01(b), by California Physicians' Service dba Blue Shield of California (Blue Shield or the Plan) in the above-referenced enforcement matter.

Under Health and Safety Code section 1368.01(b), a plan must provide a written statement on the disposition or pending status of an expedited grievance within three days of receipt. According to that section, an expedited grievance is one with a case which involves an imminent and serious threat to the health of the patient, including, but not limited to, severe pain, potential loss of life, limb, or major bodily function. During the relevant time period, the Plan was aware that the enrollee had been diagnosed with a condition sufficient to require the handling of his grievance in an expedited fashion. The Plan violated Health and Safety Code section 1368.01(b) when it failed to provide the required written statement within three days.

Blue Shield has acknowledged the violation. The Department has determined that an administrative penalty in the amount of \$2,500 is warranted in this matter and the Plan has

agreed to pay the penalty. The Department agrees that the execution of this Letter of Agreement and payment of the penalty amount will settle this enforcement matter and all issues, accusations, and claims the Department has against the Plan based upon the Plan's actions alleged in the above enforcement matter.

Sincerely,



AMY L. DOBBERTÉEN
Assistant Deputy Director
Office of Enforcement

HAB:avb

ACCEPTED BY CALIFORNIA PHYSICIANS' SERVICE.:

Date: _____

1/30/09


LYLE SWALLOW
Assoc. General Counsel
California Physicians' Service